

Databases selected: Multiple databases...

First Quadrant looks to Decalog and Advent to free-up IT staff

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Abstract (Document Summary)

Pasadena-based First Quadrant has been looking for ways to reduce the strain on its IT staff so that it may focus on core system initiatives. The answer lies in vendor-provided solutions for those non-competitive areas such as accounting and trade order management. After 4 searches over the past 10 years, First Quadrant has opted to install Decalog's IDEE Trader and IDEE Compliance as its equities and derivatives front-end trading and compliance systems. The firm is also considering Advent Software's Geneva to replace its proprietary derivatives accounting system.

Full Text (730 words)

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uy or build? A question that has plagued CIO's and their IT staffs for years. First Quadrant, the Pasadena, Calif.-based investment management firm, has searched for ways to reduce the strain on its IT staff so that it may focus on core system initiatives. The answer, quite appropriately, are vendor provided solutions for those non-competitive areas such as accounting and trade order management.

After four systems searches over the past 10 years, First Quadrant has opted to install Decalog's IDEE Trader and IDEE Compliance as its equities and derivatives front-end trading and compliance systems. The firm is also considering Advent Software's Geneva to replace its proprietary derivatives accounting system. Although the firm will focus on the Decalog installation in the near term, CIO Lloyd Cole says the firm has met with Advent about Geneva, a global accounting system which has been slowly emerging into the marketplace since its introduction over two years ago.

Speaking about the need for vendor systems, Cole pointed out that IDEE, and possibly Geneva, would free up the IT staff to focus on projects that would leverage the firm's internal resources. "As a quant manager, the intellectual capital of the firm is in researchers developing models, and those models are implemented through proprietary software," Cole explains. "That's what we want our programmers focused on, not on derivative accounting systems. We have them doing that now because we weren't able to find anything that would make sense."

IDEE Trader and Compliance will replace a Merrin Financial front-office system that First Quadrant has used for equities trading for the past couple of years. Until now, derivatives trading has been done manually-with orders submitted either by phone or fax. Cole declined to discuss why the firm is replacing the Merrin system, but an executive at the firm admitted that there have been "frustrating conversations" between the two parties. "The sales and marketing guys [at Merrin] said they could do what we needed, and then over a period of months, the technical

guys said, 'surely, you jest,'" the executive quips. "And, [from] what we've heard from some of our peer companies, this is not atypical for them." Merrin officials did not return phone calls.

Cole said that one of the major benefits of IDEE-as a true, multicurrency, multi-instrument system-is that First Quadrant's traders will be able to view all instruments on one screen. "We trade global equities in all the developed markets and derivatives in about 35 markets, including options, futures and a little bit of fixed income," Cole says. "We needed a true multicurrency system, and this is a true multicurrency system."

Another factor in choosing IDEE explains Cole, if not the most important, was the system's compliance module which checks batch trades and portfolio positions, rather than a trade at a time. First Quadrant has conducted no less than four searches over the past 10 years for a compliance system that could meet the needs of its quantitative investment style. Cole says the firm does not use any subjective management, and needed a compliance system that could review the compliance issues of an investment model rather than a specific trade.

IDEE cannot meet the firm's needs out of the box, requiring some modification to the system's APIs. First Quadrant already has compliance rules in its existing systems, and needs to translate those into IDEE Compliance. "They don't need to write a substantial amount of new code," he pointed out. "They need to expose interfaces that they already have, which really amounts to repackaging the existing codes." Other systems the firm looked at-like Charles River and the Longview Group-would've required new programming, he says.

Explaining the firm's position on Geneva, Cole admits that it will be about a year until any decision is made. As the accounting system is largely untested, First Quadrant does not think it makes sense for a firm its size to be one of the early adopters. "Although we are a sophisticated global asset manager, it doesn't make sense for us to be the second or third in line for production," he says. "The main thing we're waiting on is to have one of the big client implementations to be successful for a short period. In nine to 12 months, we can conceivably get there."

First Quadrant will run IDEE in both its Pasadena and London offices, linking the two sites through a Cytrix metaframe.

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